



***Michael C. Schlachter, CFA
Managing Director & Principal***

March 22, 2011

Dr. Louis Moret
Chair, Investment Policy Subcommittee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Revision of Policy for Low Duration Fixed Income and Dollar-Denominated Fixed Income Short Duration Programs

Dear Dr. Moret:

You requested Wilshire's opinion with respect to the proposed revisions to the two investment policies for short / low duration fixed income.

Recommendation

Wilshire recommends that the Policy Subcommittee adopt the revised policies for low / short duration fixed income as presented.

Background

Most of the policy changes presented are simply a restructuring of how the policy is written to separate the low duration and short duration programs into two documents. We have no objections or comments to this change.

Staff has also added language to one of the policies that will govern a new treasury portfolio. We have reviewed this policy and we find it acceptable as written. This policy is very restrictive in regard to credit risk, leverage, duration, and counterparty risk and we do not believe that it presents any new risks into the portfolio.

Please let us know if you have any questions or comments.

Best regards,

A handwritten signature in black ink, appearing to read 'Michael Schlachter'.

Wilshire Associates

370 Interlocken Boulevard Suite 620 Broomfield, CO 80021 TEL 303.626.7444 FAX 303.466.1537
www.wilshire.com

